lenge and responsibility, buyers like merchandising lines. Four out of 10 enjoy dealing with vendors and the independence of their jobs. Only 27% say the company's reputation is a positive factor. Nearly one-third of discounters mention salary—something cited by a mere 8.8% of department store buyers (see following story).

But management should take heed from the rumbling of their merchandising staffs. More than a third of all surveyed cite a need for additional training in planning, training and motivating employees, operating computer systems and communicating. In addition, 38.7% of department store buyers want help sharpening their negotiating skills.

Almost two-thirds of those surveyed report no company-paid self-development courses or refresher training programs. But even in those chains that do offer to pay for courses, 9 out of 10 buyers are not enrolled.

On the other hand, buyers have shown that they are atuned to management's needs. While one-third report they are "constantly" being asked to narrow assortments, 6 out of 10 rank setting proper assortments and selection as the No. 1 responsibility of a buyer. □

Base salary highest for discount buyers

	Hard lines buyers	Soft lines buyers	Department store buyers	Discount buyers	All buyers*
Under $20,000	4.5%	0.0%	0.0%	5.4%	2.5%
$20,000-$25,000	9.0	15.7	26.5	5.4	10.7
$26,000-$30,000	16.4	17.6	23.5	13.5	15.6
$31,000-$35,000	17.9	17.6	20.6	16.2	17.2
$36,000-$40,000	17.9	15.7	14.7	21.6	17.2
$41,000-$45,000	6.0	5.9	5.9	13.5	8.2
$46,000-$50,000	4.5	9.8	8.8	5.4	7.4
$51,000-$55,000	6.0	0.0	0.0	5.4	4.1
$56,000 & over	9.0	11.8	0.0	10.8	9.8
No answer	9.0	5.9	0.0	2.7	7.4
Mean	$36,500	$36,700	$31,700	$38,200	$37,200

*Includes department, discount, variety, specialty and Big 3 buyers
Source: *Chain Store Age* research

Age pays off for discounters

It shouldn't come as any real surprise that discount buyers earn more than their department store counterparts—they've been on the job longer, according to the *Chain Store Age* survey of buyers.

Discounters have been in retailing an average of 18 years (department store buyers for 12) and have been buyers for 10 years. The rewards are evident when it comes to salary: 21.6% earn $36,000-$40,000 annually, and 78.4% have bonus programs as well.

The largest single group of department store buyers (26.5%) earns between $20,000 and $25,000, with just 17.6% having a separate bonus package.

Hard lines buyers have a two-year edge on soft lines buyers in retail experience—16 years vs. 14. Some overlap in salary ranges exists: Three out of 10 hard lines buyers earn $31,000-$40,000; an equal number of soft lines buyers earn between $26,000 and $35,000. Over half of the hard lines buyers have bonus programs.

Department store buyers receive more training than their discount counterparts, but they get paid less

Youth is on the side of department store buyers—44.1% are between 20 and 29 years old. Only 8.1% of discounters fall into this group, and in fact 2 out of 10 discount buyers are over 50, as are 16.7% of hard lines merchants.

Buying is an education-intensive field, with at least half of all buyers having a college education or graduate work. Six out of 10 soft lines and department store buyers fall into this category, while fewer than half of hard lines and discount buyers have their diplomas.

Buyers are generally positive about their chances for promotion, with department store buyers rating their chances as good. The largest group of discounters (27%) rate their chances for promotion as fair, perhaps because they have risen up the ladder at a slower pace.

On average, discounters have been with their present company for 11 years, six as buyers. Department store buyers have had a more rapid rise—employed with their present companies for seven years, five as buyers.

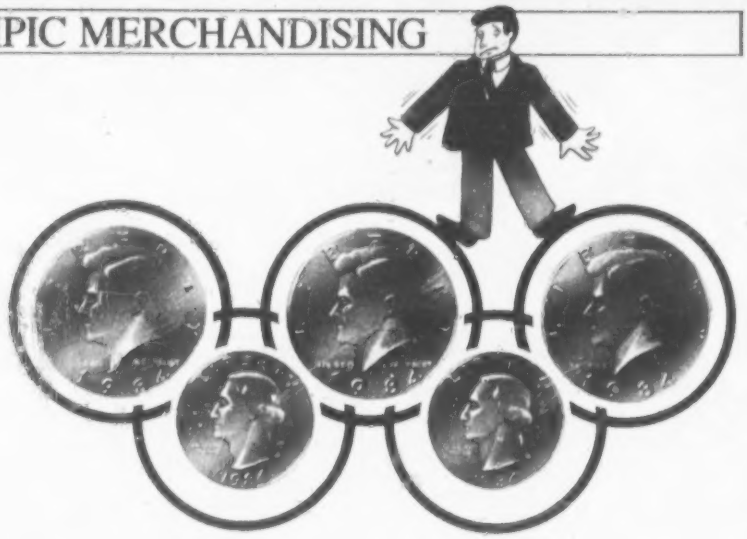
Despite the overall optimism, buyers do not know when to expect their next promotion. The next step up the ladder is to merchandise manager.

The route into buying for many buyers is via store operations (48.6% of discount buyers were assistant/store managers). Only 20.6% of department store buyers were in store management, while half started as assistant buyers. An additional 17.6% came into retailing directly from college. Hard lines buyers are more apt to have a store background (32.8% were assistant/store managers), and 47.1% of soft line buyers started in merchandising as assistant buyers.

For those with a bonus program, 88.1% are tied to profits. Shrinkage control is mentioned by 1 in 10 as another part of the bonus. But shrinkage/shoplifting control is mentioned by a mere 8.8% of department store buyers and by absolutely no discounters as important job responsibilities. Last year's *Chain Store Age* store manager survey showed managers were similarly insensitive to the problem.

According to a report done for the National Mass Retailing Institute, shrinkage during 1982 increased 25% over the previous year, amounting to 2.2% of sales. Obviously, this is a problem that requires the attention of all personnel if this constant erosion of profits is to be halted. □

—**Christina Gruber**



Risky business: In search of the Olympic dollar

Sears Olympic program coordinator Thomas Coughlin spends a lot of time these days sifting through a plethora of merchandise that is riding the coattails of the eagerly awaited summer games. There are the obligatory coffee mugs, ashtrays, key chains and even a video game based on the decathalon event.

"We are," he says of the deluge, "going to see someone come in here with the official Ouija board of the 1984 Summer Olympics!"

Coughlin and his colleagues may need one as they weigh the great unknowns of special events merchandising. "Everybody is treading very lightly," he says. "But I don't want to tread so lightly that we miss the boat."

While there's little doubt the two-week event, which begins July 28 (and to a lesser degree the winter games beginning next month), will grip the masses, the question is how this patriotic and athletic fervor will translate into shopping dollars. As one Midwest-based discounter puts it, "Our concern is what Los Angeles '84 will mean to central Michigan."

Serious money: Even Los Angeles Olympic Organizing Committee (LAOOC) topsiders are asking the same question. According to sponsorship vp Dan Greenwood, the committee has "conservatively" projected $250 million in Olympic merchandise retail sales. (The LAOOC receives a 10% royalty based on wholesale cost.) "Quite frankly, the projections are low because of the uncertainty," says Greenwood, a banker by trade. "I would be disappointed if we don't double or triple that number. Right now those figures look very safe, and indeed look conservative. Our royalty reports show a dramatic upsurge."

Finding a happy medium in events merchandising has been a herculean task for most retailers

Some industry insiders are projecting sales between $700 million and $800 million. But Greenwood's heistancy may be justified. According to results of an August 1983 *Chain Store Age/Better Homes & Gardens* consumer poll, few shoppers have been gripped by the Olympic buying bug.

More than 72% of those surveyed said they would have little or no interest in purchasing summer Olympic-related merchandise. Another 22.4% said they would be "somewhat interested," while only 3.1% felt they would be very interested. Sixty-seven per cent of the 1 in 4 consumers expressing some interest expect to pay more for Olympic merchandise.

The LAOOC, manufacturers and distributors, however, say shoppers will be less apathetic once the games, accompanied by the requisite publicity blitz, emerge from the shadow of winter weather, basketball and hockey.

The story of "O": But if it's any comfort to retailers staking precious open-to-buy dollars on the summer games, the LAOOC has a critical interest in the Olympics' general merchandise fortunes: This Olympics will be paid for by profits, not taxpayers. The LAOOC's projected $450 million-$500 million budget will be covered by broadcast rights (about $280 million), ticket sales, corporate sponsorships, licensing agreements and the sale of commemorative coins.

The selling of the Olympic symbol alone (the stars in motion and Sam the Olympic Eagle) will account for 31%—about $140 million—of the LAOOC budget. In comparison, the 1980 Lake Placid winter games garnered only $10 million. In 1976, the Montreal Olympic symbol logged a mere 1.5% of that committee's total budget, while the United States-boycotted 1980 Moscow games took in less than 1% of its budget from the sale of its Olympic logo.

Games retailers play: Many

Kids' needs top Olympic shopping list

Retailers are missing the boat on potential Olympic merchandise sales if they're targeting an adult market, a *CSA/Better Homes & Gardens* survey shows.

Children's tops were the most frequently mentioned item when survey respondents were asked what Olympic merchandise they would be most interested in purchasing. Nearly 60% said they would be very or somewhat interested in buying tops, while 18.2% said they would consider buying Olympic licensed toys. Children's underwear received mention from 9.4% of those interested in Olympic items.

Sporting goods and stationery, often purchased for children, also were prominent (44.3% and 18.9%, respectively).

Reports from retailers who stock children's Olympic apparel back the survey results. In Los Angeles, one Millers Outpost manager says children's T-shirts were already sold out by November, while adult merchandise was moving slowly.

Most chains, however, have earmarked Olympic displays for the men's or young men's departments. (The bulk of official Olympic apparel on the market as of November was in men's wear.) No one in the *CSA/Better Homes & Gardens* survey mentioned a preference for men's wear, although nearly 40% expressed interest in buying women's tops.

The Olympic merchandise shopper is patriotic, if not informed. Nine out of 10 shoppers said they would buy the licensed products to support the United States team, the survey shows. The reality is that their purchases provide no support for the United States team. Money spent supports the vendor and retailer only.

The second most important reason (40.6%) for buying Olympic products was as a novelty item or memento, while another 20% planned to purchase the merchandise as gifts.

But more importantly for retailers, the Olympic shopper is an affluent one. Those with annual incomes over $35,000 are the most likely group to buy Olympic souvenirs. Seven out of 10 expect to pay more for Olympic merchandise than nongame goods.

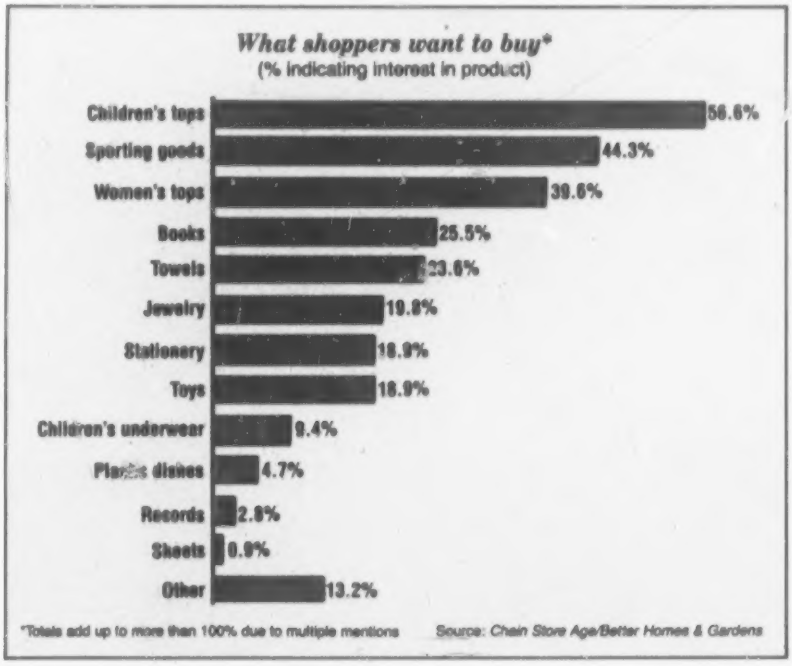
GMers have already taken the plunge. Sears, the only national Olympic ticket outlet, plans a coast-to-coast rollout of souvenir shops. Venture, the Missouri-based discounter, last November unveiled 8-ft. Olympic boutiques in each of its 48 stores.

Meanwhile, K mart, the nation's largest discounter, plans a limited merchandise-push in its 2,000-plus stores, says a spokesman. The chain, however, has plunged $40 million (10% of its ad budget) into an Olympic ad campaign. It will be the sole retail sponsor of ABC's Winter Olympics broadcast and share the spotlight with Sears during the summer games.

To no one's surprise, Los Angeles-area department stores already have Olympic merchandise plans under way, but officials from The May Co., Robinson's, Bullocks and The Broadway are uncharacteristically mum on details—it's a souvenir jungle out there, they say. Other department store chains, such as Macy's, Gimbels and Bloomingdale's, "have looked into it," says an insider.

Tricks of the trade: Few retailers expect Olympic merchandise sales to make a dent in the bottom line. But next summer tourists and residents are expected to spend an estimated $345 million in the Los Angeles area ($30 million in souvenirs and merchandise), according to the Los Angeles-based Economic Research Associates. Olympic merchandise may turn out to be the pivotal consumer bait as retailers scramble for the special-event dollars.

That's what Sears officials are hoping, says Coughlin. "I don't personally expect it [Olympic merchandise] will dramatically change anything," he explains. "We're going to



make an acceptable markup for our company, and we're going to use it as much as we can as a drawing card to get people into the stores. Once we get them in the stores, then we can sell them other products."

In late November Sears opened nonapparel souvenir shops in the stationery/gift departments in more than 40 of its southern California stores and plans a nationwide rollout sometime this month. "If it doesn't sell in southern California, it's not going to sell," says Coughlin. "But just because it walks out of our Los Angeles stores doesn't mean it's going to walk out of our Boston stores. Basically, however, it will give us a good idea what's going on."

Each shop will be fine-tuned according to its market, says Coughlin. "It will all depend on the store," he adds. "Some do better with T-shirt-type products. Those stores will be able to look at what we're offering and say, 'We want this and we don't want that.'"

When enough is enough: There is concern among some retailers that the Olympic publicity wave might duplicate the overkill syndrome of the 1976 Bicentennial celebration, when GMers were stranded with numerous mementoes of the nation's 200th birthday.

As early as last October danger signs were already apparent in Los Angeles, where every gift shop, drug store and GM chain had some reminder that there were only nine shopping months left before the Olympic games. "It's a very strong concern of mine," says Coughlin. "I hope we don't get to the point where people are saying, 'My God, another Olympic product. I'm so sick of the Olympics.' I think because it's big business, it could happen."

But LAOOC officials feel the smaller number of licensees (79 licensees/sponsors compared with 381 for the Lake Placid games) will reduce the danger of oversaturation, especially outside the southern California market, where merchandise isn't expected to significantly move until early April.

"The risk of overkill has been a concern on our part for the past two and a half years," says Greenwood. "We feel it has been kept in tow." □

Levi's and the games: business as usual

Despite holding exclusive rights to the official summer Olympic activewear collection, Levi Strauss & Co. officials say the firm will, in most cases, only sell the wearables to its regular customers. This policy has infuriated many GMers, who believe the blue jeans giant should waive its distribution prohibitions since the company is the sole supplier of the summer games' licensed apparel.

The irony of the situation is that

The 'official outfitter' to the Olympics may be selling most of its items only to regular customers

the excluded retailers may resort to purchasing the so-called knockoff Olympic merchandise (see following story). "I'm sure the Olympic committee would be very disappointed if they went into my trading area and saw all the knockoff merchandise and very little licensed merchandise," says one buyer. "If it were my license I'd be very disappointed. They're going to lose a lot of revenue."

The Levi's Olympic line includes T-shirts, piqué knit tops, fleece tops and bottoms and sweatshirts.

Levi's, however, has made some exceptions in its southern California market. Bowing to pressure from the Los Angeles Olympic Organizing Committee (LAOOC), the San Francisco-based manufacturer has agreed to review on a case-by-case basis requests for merchandise from small specialty gift and apparel outlets (airport gift shops, for example).

But the "one-time addendum," Levi's officials say, does not include large retail chains and discount stores (an estimated $73.3 billion industry).

As a result, chains such as K mart, the nation's largest discounter, will not stock official Olympic apparel in any of its 2,000-plus outlets. "We will not be carrying the Levi's line," says a K mart spokesman. "It was a question of not being able to get the merchandise from Levi's."

Levi's licensed apparel shops: *not for everyone.*

For Levi's, company officials say, it's a question that has ramifications beyond the Olympic games.

"We have, as part of our sponsorship with the Olympics, not basically changed our distribution policies," explains John Ankeny, Levi's vice president/consumer marketing. "That's one of the provisions of the contract which we signed with the [Olympic] committee. We don't want to fundamentally alter the way we do business because of the Olympics. And that's a very strong feeling we have. We've been in business for 150 years and want to remain in business for another 150 years."

Some retailers have heard a different story.

"Levi's basically told us that they don't have the capabilities to put such a big company on line, and they have a lack of capacity to provide us

***Shoppers may spend more** freely for consumer electronics but they're also demanding more of the price/value equation.*

Retailers brace for dynamite year

General merchandise electronics department buyers are preparing for their biggest year yet. With total sales projected to be as much as $35 billion, up 16.7% from the estimated $30 billion last year, consumer electronics is truly a "dynamite" category.

But just as dynamite has the potential to be destructive as well as useful, consumer electronics departments can blow up in retailers' faces. "Positioning," says the marketing vp for a major home computer manufacturer, "will be the key to cashing in on the booming demand for electronics.

"Retailers will have to carefully consider exactly who they are targeting as their customer and where they stand in the marketplace," he adds.

Almost every product line has potential for disaster equal to the potential for success. Telephones, for example, were a major area for sales growth last year and should be even stronger in '84. But some GMers are already saying that they are witnessing a slowdown in movement at the bottom end of the business with one-piece models, priced under $15, languishing on store shelves.

In mid-'83, one Sunbelt discount chain CE buyer said he couldn't get enough of the opening price point phones. Today he admits they are a glut on the market.

Price competition is expected to become even more intense in '84, squeezing already slim margins. Shoppers may be easing up on their reluctance to spend, but at the same time they are seeking the best price for what they buy.

Affluent shoppers prefer specialty stores for electronics

Primary store shopped by families with $35,000+ income	Product		
	All CE items	Home computer	Computer software
Specialty store	52.6%	62.4%	60.4%
Discount store	18.6	13.8	13.8
Catalog showroom	6.6	7.2	6.0
Sears	5.4	3.0	3.0
Department store	4.8	3.0	3.6
"Name Brands for Less"	3.6	1.8	2.4
J.C. Penney	0.6	0.0	0.0
Montgomery Ward	0.0	1.2	0.6
Mail order	0.0	1.2	1.8
Other	0.0	0.0	0.6
Don't know	7.8	6.6	7.8

Source: *Chain Store Age Better Homes & Gardens*

Even products available in limited numbers are being promoted virtually the instant they hit the selling floor. Coleco's Adam computer, with a suggested retail price of approximately $700, was being sold for between $525 and $549 for Christmas last year at discount and toy specialty stores across the country—despite the fact that buyers say they will not be able to meet consumer demand for the systems in the foreseeable future.

To keep gross margins from sinking much below their current 19%-22% levels, retailers are beefing up presentations of software, blank video and audio tapes and add-on items. "Accessories are going to be increasingly important in supporting departmentwide gross margins," says the electronics buyer for a New York discount store.

Virtually all department and discount store chains are expanding their CE departments. Montgomery Ward, for example, is "reasserting itself in the marketplace," says electronics vp Bob Harder, "so we have to go with major presentations in all CE areas." Staple merchandise and new product categories are both being emphasized. □

Consumer Electronics section written by Jeff MacCallum.

Many CE shoppers want the help of retailers who can assure them of post-purchase service and assistance.

Consumers rate shopping abilities

Retailers may be losing as much as one-third of their potential sales in consumer electronics by too tightly targeting their merchandising efforts toward their primary customers. These are the conclusions of an exclusive consumer survey conducted by Leo Shapiro & Associates for *Chain Store Age*.

When it comes to color TV/stereo equipment, how good a shopper do you feel you are?

All respondents self-rating (scale of 1-9)	Color television	Stereo equipment
Outstanding (9)	20.0%	16.0%
Very good (6-8)	43.0%	35.0%
In-between (5)	17.0%	14.0%
Not so good (2-4)	10.0%	18.0%
Poor (1)	6.0%	13.0%
Not answering	4.0%	4.0%

Source: *Chain Store Age* Leo Shapiro & Associates

"The reality of the marketplace is that there are two distinct groups of consumers," says Shapiro president George Rosenbaum. "There are those who are confident about their ability to pick the right item and those who feel they are ignorant about electronics, even relatively common items like color television and home stereo systems. And if the retailer tries to use the same approach for these two groups, he isn't going to optimize sales."

Respondents were asked how they viewed their own shopping abilities for color televisions and home stereo systems and what they were looking for in the products and the stores they would shop.

Overall, nearly one-third of consumers (32.3%) said they were not very good shoppers for home audio equipment, and 1 out of every 6 said they were poor shoppers for color television.

In the following two stories, *CSA* looks at the detailed findings of the survey and explores ways for retailers to increase their incremental business in these two staple subcategories of GMers' consumer electronics departments. □

Smart TV shoppers look to quality

Consumers differ dramatically when it comes to what features they consider when buying a color television, depending on whether they consider themselves "good" or "not good" shoppers.

While both groups say price is the most important consideration, and a name brand another key feature, the good shopper is more concerned with quality/craftsmanship and picture quality than the not good shopper. The latter group gives greater weight to screen size than do good shoppers.

These are among results of a *Chain Store Age*/Leo Shapiro & Associates national survey of 450 consumers. Says George Rosenbaum, president of the research firm, "Even with what is a very common item, 15% of the population say they lack confidence."

Retailers will have to respond differently to the needs of the good and not good shopper. "For less confident shoppers, finding a store they can trust is very important," says Rosenbaum. "The shopper who is not confident needs a retailer who will help him with the purchase decision and can assure him about post-purchase service and assistance.

"The good shopper, on the other hand, has pretty much made up his mind before going to the store. For him, retailers function as warehouses."

TV specialty stores and appliance outlets are the No. 1 place to shop for both groups, but good shoppers

Considerations when shopping for a color TV

	Good shopper*	Not good shopper*
Price	47%	50%
Name brand	27	26
Screen size	10	16
Picture quality	26	18
Quality/craftsmanship	39	26
Durability/long-lasting	9	8
Service/warranty	9	6
Appearance	5	5

*Add up to more than 100% due to multiple mentions
Source: *Chain Store Age* Leo Shapiro & Associates

Specialty-appliance stores favorite TV outlets

Type of store	Good shopper	Not good shopper
Sears	11.8%	12.9%
Ward	1.5	0.3
Penney	0.8	0.9
Department store	9.4	8.6
K mart	1.1	5.0
Other discount store	4.8	1.5
TV specialty store	36.0	28.2
Appliance store	6.4	7.1
Catalog showroom	3.5	1.2
Other	5.3	4.1
Not answering	19.4	30.2

Source: *Chain Store Age*/Leo Shapiro & Associates

RCA, Zenith top brand preferences

Brand	Good shopper	Not good shopper
RCA	24.2%	20.0%
Zenith	19.2	20.0
Sony	11.9	9.4
Sears	5.2	6.0
G.E.	4.2	1.4
Panasonic	3.3	1.4
Magnavox	3.1	1.9
Sylvania	2.5	0.4
Hitachi	0.6	2.1
Other	17.9	24.6
Not answering	7.9	12.8

Source: *Chain Store Age*/Leo Shapiro & Associates

are more likely to frequent these retailers.

Sears and K mart are favorites with the not good shopper, while good shoppers prefer other discount stores.

When picking a brand, the good and not good shoppers hone in on RCA and Zenith, followed by a more distant Sony. The not good shopper appears to be more confused (12.8% have no answer, compared to 7.9% of good shoppers) and more susceptible to being sold less widely known brands (24.6% vs. 17.9%). They also are more incapable of saying where they would shop (30.2% vs. 19.4%).

Good shoppers tend to be male: 55% of the men consider themselves good shoppers, while 56.8% of the women rate themselves not good. Good shoppers are slightly younger: 52.6% are under 45 years old, compared to 49% of the not good shoppers. □

Stereo shoppers seek sales help

Consumers may feel secure about buying a color TV with little assistance, but when it comes to a home stereo set, nearly half say they need help in picking the right system.

In the *Chain Store Age*/Leo Shapiro & Associates study of stereo and TV customers, only 1 in 6 respondents say they are very confident in their ability to choose the right system, while 31% admit they are not good shoppers for home audio products—twice as many as say they are not good TV customers.

These insecure shoppers "appear to hold off on buying a system until they find a retailer they can trust," says Shapiro president George Rosenbaum. "And the less confidence shoppers have in their ability to shop for stereo equipment, the more they depend on the store."

Insecure shoppers, though, rate retailers lower than confident consumers until they are actually in the store. On a scale of 1 to 9, those who say they are not good shoppers for stereo equipment give retailers a 5.83 rating, compared to 7.29 by secure customers.

But once they begin to shop for a home stereo system, the ratings reverse themselves. Among insecure shoppers who say they might buy a home audio system in the coming year, 26% rate retail outlets of stereo equipment as outstanding, a 188.9% increase over all insecure customers.

On the other hand, once they are in the market for a stereo, only 16% of confident customers rate retailers as outstanding, compared to 24% of all consumers who say they feel secure in their ability to pick a stereo system.

The reliance on the retailer by those who say they are not good stereo shoppers should be a prime incentive for general merchandise retailers to staff their stores with knowledgeable salesmen. "In other words, there is a large group of people out there who aren't going to buy a stereo until they find a store where they can get the help they need," notes Rosenbaum.

"And those who say they are not good shoppers have nearly as much desire to buy hi-fi equipment as those who say they are good shoppers," he adds. Eight per cent of all who say they are not good shoppers say they would like to buy stereo equipment in the coming year, compared to 12% of confident customers.

Demographically, insecure shoppers are markedly different from those who say they are insecure in their ability to buy a stereo. On average, those who say they are not good shoppers for stereo equipment are more than six years older (47.2 years), and nearly 6 out of 10 (59%) are women. Most good shoppers are male (61%) and tend to be younger (average 41 years old). □

Top-quality phones key to business

Telephone sales are flying high in general merchandise chains, with shoppers showing a marked preference for models packed with functional features and higher price points.

Last year, American consumers purchased more than 11 million telephones. And, barring any major shift in purchasing patterns, industry analysts are predicting sales for home use in excess of 42 million this year.

The barrage of publicity surrounding the breakup of the Bell System, educational programs run by both manufacturers and retailers, the fact that telephone rental fees will begin appearing as a separate item in phone bills in the near future and the growing awareness of the multitude of specialized uses for telephones are all factors in the projected skyrocketing of sales in 1984.

GMers are already cashing in on the trend toward telephone ownership with prominently located telephone departments and franchised phone boutiques in their stores.

Car stereo shoppers appear more motivated by good selection and high quality than by price/discount considerations.

Demand for high-end car audio coming in loud and clear

Growing demand for top quality is boosting the dollar volume for automotive stereos, despite a continuation of the stable levels of unit sales.

The number of consumers in last year's *CSA*/Leo Shapiro survey of buying plans who said they might buy a car stereo system this year is identical to the 3.2% of respondents who said they were in the market a year ago. But today's shopper is looking for good selection and quality and appears willing to pay for it.

Though 28.3% of potential purchasers said price/discount was their prime reason for picking a particular store, car stereo shoppers were among the least price-motivated groups compared to shoppers for other products. Selection was often mentioned (18.9%) as a reason for picking a store. Quality ranked third, cited by 14.2% of shoppers.

The average price that prospective purchasers expected to pay for an auto audio system in '84 was $249, up 6.9% compared to a year ago. The biggest jump came from shoppers seeking units costing over $500.

The strongest price range remains $100-$299, with more than half of potential purchasers citing it for both 1984 and last year. However, the number of consumers who expected to pay between $100 and $149 rose by 30.8% this year, while those who planned to pay $200-$299 dropped 25.3%.

Potential purchasers also showed a marked shift to the general merchandise chains as probable shopping outlets. Among shoppers who named a store, 27% said they would probably go to a chain in '84 a very strong 73.1% gain over last year's potential shoppers who said they planned to shop a general merchant.

Montgomery Ward logged the greatest increase. Virtually ignored as a potential outlet a year ago, nine times as many shoppers (4.5% of all who named a store) in this year's survey said they planned to go to the mass merchandiser. Sears also posted a sizable gain, with nearly three times as many shoppers expecting to shop there this year compared to last.

The GMers' gains appear to be coming at the expense of audio specialists. In 1984, 64.9% of respondents planned to shop at a specialty outlet, down 7.9% from the 70.5% who said they would shop a specialist in '83.

Both income levels and ages of shoppers continued to increase. Auto audio shoppers this year reported an average family income of $29,000, compared to $27,700 a year ago. Those who bought a car stereo in 1983 and planned to buy in '84 are nearly a year older than survey respondents in '82.

While the car stereo market remains distinctly youth-oriented, the average age of those in the market this year increased to 33.2 years, compared to 32.3 in '82. □

High-ticket items post biggest gains

Price range	Those who expect to pay in: 1983	1984	% change
Under $50	5.1%	3.6%	−29.4
$50-$99	6.9	7.3	+ 5.8
$100-$149	14.6	19.1	+30.8
$150-$199	14.9	14.8	− 0.7
$200-$299	26.1	21.0	−25.3
$300-$399	12.1	9.5	−21.5
$400-$499	2.2	2.7	+22.7
$500 and over	3.7	7.0	+89.2
Average (in dollars)	$233	$249	+ $16

Source: *CSA*/Leo Shapiro & Associates

***Air cleaners are breaking into** two groups—promotionally priced lines and high-ticket items.*

Baby boomers boost health, fitness sales

Baby boomers have always had a love affair with youth and with activities and products designed to keep them youthful.

They provided the fuel to fire the home exercise craze and have kept it burning. Home fitness, in fact, is now a fashion category. Products are purchased because of the way they look or fit into the home decor as much as for the physical benefits they offer. Exercise—with the correct apparel and accessories—is chic.

New companies have sprung up to keep pace with demand for these products, and items once just for people with specialized health problems are now coming into the mass market. Arkla Industries, a leader in manufacturing gas grills, has introduced a line of home gyms. Gravity Guidance Inc. markets inversion systems originally developed by a doctor for his patients.

The next logical step after concern for fitness is concern for overall health—a holistic approach to taking care of oneself. After all, the baby boom generation is aging. As the leading edge of this generation starts getting closer to 40, it seems to presage the growth of another "new-old" category—personal health care.

There's nothing new about scales, blood pressure monitors or thermometers. They've been on the market for years, but modern technology is now updating these familiar items to look better, work more accurately and appeal to a more up-

A holistic approach to health care is taking shape as this generation approaches middle age

scale customer. They combine the boomer's fascination with high tech and good health.

Considering the buying potential of these 76 million baby boom shoppers, it's no wonder they carry such clout in the marketplace. It's estimated that their combined earnings will exceed $1.2 trillion by 1990.

Manufacturers have responded to the growing interest with new product introductions. Timex, Norelco and Panasonic are only a few of the companies now involved. "Today's consumer is much more aware of personal health in a preventive way," says Norelco vp/advertising Dick Gonzales. "Look at the number of joggers today compared to 10 years ago. Part of it is doctor's orders, part is media encouragement and part is just plain common sense."

Gonzales adds that many retailers are thinking of establishing a separate health care section in their stores. Currently, these products are scattered throughout the store, from small electrics to health and beauty aids to sporting goods.

The ability to cross-merchandise the products presents some exciting opportunities for impulse and add-on sales for retailers. The fitness enthusiast, shopping in sporting goods, might miss a blood pressure monitor displayed only in small electrics. "We're seriously looking at the whole category for the spring," says Woodward & Lothrop buyer Dale Cropper. "We'd like to create a home health care shop separate from small electrics, overlapping sporting goods."

Currently, Sears is doing the best job merchandising the category—

Consumers show interest in category products

	Already own	Children in household	Extremely/very interested in	Children in household
Home health care				
Blood pressure monitor	12.7%	10.7%	11.6%	25.1%
Air purifier	18.2	18.6	12.5	34.5
Digital scale	8.6	8.4	20.4	52.0
Digital thermometer	4.3	5.1	15.8	49.3
Hand/foot massager	12.0	9.8	8.6	20.0
Heating pad	61.2	60.4	11.4	25.2
Humidifier	40.5	46.5	14.5	23.3
Shower massager	37.7	41.4	15.7	26.5
Shower steamer	3.2	4.0	8.4	27.7
Vaporizer	42.5	58.3	4.7	9.7
Home fitness				
Weight bench	19.2	19.5	4.3	13.9
Treadmill exerciser	0.2	0.0	5.2	14.0
Rowing machine	2.3	3.7	3.0	10.2
Punching bag	3.6	5.6	2.5	21.9
Exercise mat	9.3	13.5	13.6	34.6
Jump rope	42.5	54.4	4.8	14.4
Jogger trampoline	8.2	10.2	11.4	30.7
Home gym system	3.2	5.1	7.9	23.8
Gravity boots	1.1	2.3	4.5	11.2
Hand grips	10.5	12.6	2.2	5.6
Exercise bike	19.8	17.7	11.6	31.2
Dumbbells	12.0	17.7	3.6	11.2
Barbells	16.8	26.0	1.8	7.9
Ankle/wrist weights	8.4	12.6	3.8	14.9

Source: *Chain Store Age/Better Home & Garden* research

but it has been in the business for at least 30 years. "The category has grown substantially in the past 8-10 years," says buyer Phil Berg. "People are becoming more health-conscious, and the whole category is expanding as more manufacturers get into the business.

"We experienced a 60% increase in sales in '82 over the prior year and foresee a year-to-year minimum growth of 20% for the next few years," he adds.

Monitor sales shoot up: A spokesman for Montgomery Ward says, "The fastest-growing item in health care today is the blood pressure monitor." Most retailers tend to agree. Although available for many years, it was often bulky, hard to read and sometimes undependable. The new monitors feature a digital readout of systolic and diastolic pressure, plus pulse rate with a printed readout for a continuous record. Flashing lights indicate if an error is being made in taking the reading. Prices for top-line models go from a high of $250 for the Norelco HC-3500 to a low of $70 for the Timex Healthcheck.

The 1984 Best Products catalog devotes one page to blood pressure monitors with six sku's ranging from the Lumiscope "Digitronic" for $189.87 to a more traditional device with cuff and stethoscope for $12.97. Penney features six models ranging in price from $22.48 to $199.99. Sears merchandises three sku's in the stores and eight in the catalog.

Digital thermometers are also a growing market. "We intend to carry it," says Dayton's buyer Deborah Seydel. "It's a unique item." But sales of home health care products are split at Dayton's because a leased department handles many of the products. David Steadman, manager of the department, says they carry items like blood pressure monitors, clean air and water machines and sun lamps. All products are displayed in cases and the salesmen are knowledgeable about them.

"Customers ask a lot of questions," Steadman says. "In fact, we first started to stock these products because we had so many people asking for them. We'll start to participate in some of Dayton's advertising in the spring. In the past we haven't, but we want to let the people know we do stock these products."

In-store demonstrations are seen as a good way to interest consumers in the products, but most retailers are still debating how best to run the demos. At Dayton's, Steadman has a clean water machine on display, and shoppers can taste the water before and after treatment. For Sear's Berg, packaging is most important, and all features and benefits of each product are clearly explained on the package. "When we have the space, we have product displays so the shopper can see the actual merchandise as well as read about it," Berg notes; he also sends out training literature to people in the stores to keep them aware of all products.

Dayton's Seydel agrees that good sales personnel are an important link in making health care sales and adds that advertising is another important step. Ward also advertises these products with both newspaper and direct mail promotions.

Manufacturers are getting behind advertising as well. Retailers cite the improvement in sales of oral hygiene products as an example of the effectiveness of this type of ad campaign. Sales of the products for the first half were soft, but a heavy campaign by Water Pik has translated into big sales results at retailers' cash registers.

Another product doing well is the air cleaner—the more expensive models as opposed to the low-end ones. "We traded up this year," says Bruce Sherwood, assistant vp/mm for Danners, a 35-store chain headquartered in Indianapolis, "and we're really glad we did. The business has been all in upper-end models. In '82, the market was flooded with promotional air cleaners, and it seems everyone who intended to buy those models already did. Now the better ones are having their season."

Part of the selling features of the more expensive models are their better filtration and improved technology. They can clean a larger

room and actually get out more pollutants.

Specialists are watching: Sporting goods specialty stores are taking a wait-and-see attitude toward the entire home health care market, tending to carry true fitness-oriented products that do more than just measure pressure and pulse. Lee Anderson, owner of Endurance Sports, a retail and mail order specialty store, is still testing several devices. "We have a specialized customer who is a serious athlete. We want something that will last through grueling training," he says. Currently, he is testing The Coach and is doing well with a bicycle computer that measures heart rate and much more.

One thing retailers do agree on is the fact that home health care will be tomorrow's hot category. It has appeal, use and makes a terrific gift. "On one page of our Christmas '83 catalog we featured two blood pressure monitors and a digital thermometer," says Berg. "They were the best-selling items on the whole page." □

Health and fitness make winning team

While the baby boom generation as a whole has shown an interest in physical fitness, a *Chain Store Age/Better Homes & Gardens* consumer panel survey shows two distinct groups emerging for the related product categories of home health care and home fitness.

The younger group of 18-34-year-olds is interested in fitness and shows a greater interest in purchasing items like weight benches, gravity boots and barbells. Older shoppers between 35 and 49 show more interest in blood pressure monitors, air cleaners, digital scales and shower massagers—products with a health orientation.

The study also shows that some products are staples. Many retailers say the blood pressure monitor is the fastest-growing item in the home health category, and 11.6% of consumers say they are extremely or very interested in buying one. Nearly 13% already own one. The degree of interest increases to 13.6% for 35-49-year-olds.

This same older group of consumers is also more likely to own or be interested in buying a clean air machine. Two out of 5 consumers earning over $50,000 fall into this category, which may explain why retailers are now seeing an increase in the more expensive models—these upscale shoppers want the cleaning benefits of the newer models and are willing to pay the difference.

Profiling the health and fitness product consumer

	Age	Family income
Blood pressure monitor	35-49	$50,000+
Air purifier	35-49	50,000+
Digital scale	35-49	50,000+
Digital thermometer	18-34	35,000
Hand/foot massager	18-34	50,000+
Heating pad	18-34	50,000+
Humidifier	18-34	50,000+
Shower massager	35-49	50,000+
Shower steamer	18-34	50,000+
Vaporizer	18-34	50,000+
Weight bench	18-34	50,000+
Treadmill exerciser	35-49	50,000+
Rowing machine	18-34	50,000+
Punching bag	18-34	50,000+
Exercise mat	18-34	50,000+
Jump rope	18-34	50,000+
Jogger trampoline	18-34	35,000
Home gym system	18-34	50,000+
Gravity boots	18-34	35,000
Hand grips	18-34	50,000+
Exercise bike	35-49	50,000+
Dumbbells	18-34	50,000+
Barbells	18-34	50,000+
Ankle/wrist weights	18-34	50,000+

Source: *Chain Store Age/Better Homes & Gardens* research

The survey indicates that humidifiers, heating pads, vaporizers and shower massagers are owned by a large percentage of consumers. Six out of 10 say they already own a heating pad, with over one-third owning the other three "staples." At least 4 out of 10 of these consumers are married, have children in the household and family incomes over $50,000.

Although the shower massager is owned by 37.7%, the shower steamer shows a very low rate of consumer interest. Over half of all surveyed say they have no interest in purchasing one at all. It may be that shoppers are satisfied with the current massager and see no reason to trade up since the steamer is more expensive. For example, Best Products carries the Water Pik massager for $26.92, while the steamer is $37.94. Nevertheless, the prospective market is more than double the 3.2% of households already owning a steamer.

The same reason may explain the low ownership of digital scales and thermometers. While 2 out of 10 shoppers say they are interested in these products, less than 1 in 10 owns them. Again, price may be the difference. The Sears digital thermometer with 25 disposable probes is $19.99, and 100 additional probes cost $5.99—quite a jump from the $3.99 thermometer available from the local druggist.

Home fitness: The study shows a high degree of interest in purchasing home exercise equipment among 18-34-year-olds. Interest is heaviest for the less expensive accessory items such as dumbbells and for two more expensive pieces of equipment—exercise bikes and weight benches.

Almost one-fifth of consumers already own an exercise bike, and another 11.6% are interested. This particular item is more attractive to the older group of consumers and to upper-income familes. Younger consumers are more apt to have a weight bench; 19.2% of 18-34-year-olds are already owners.

A jump rope is owned by 42.5% of consumers surveyed, but since 54.5% of these shoppers also have children in the household, it's hard to know if these ropes are for double-dutch and hot pepper or for adult exercise.

In a related consumer study, *Chain Store Age*/Leo Shapiro & Associates found that Sears is the choice of 20.4% of exercise equipment shoppers, with 24.8% preferring discounters. Three out of 10 shoppers go to sports/specialty shops. In general, consumers shop for price, although specialty stores rate highly for selection (see December 1983). □

Apparel specialists, Big Three top profit surge

	Third quarter (000 omitted)			9 months (000 omitted)		
	'82	'83	% change	'82	'83	% change
Penney[3]	80,000	94,000	+ 17.5	196,000	207,000	+ 5.6
Sears[1,2]	80,900	135,000	+ 66.9	144,300	247,500	+ 71.5
Ward	(13,000)	2,000	—	(109,000)	(13,000)	—
Subtotal	147,900	231,000	+ 56.2	231,300	441,500	+ 90.9
K mart	30,100	81,400	+170.4	96,600	243,700	+152.3
G.C. Murphy	2,855	4,788	+ 67.7	4,813	11,165	+132.0
Rose's	1,768	3,885	+119.7	4,231	11,744	+177.6
SCOA (Hills)	9,109	10,511	+ 15.4	12,458	13,899	+ 11.6
Wal-Mart	26,692	42,704	+ 60.0	68,639	111,682	+ 62.7
Woolworth[3]	14,000	20,000	+ 42.9	12,000	37,000	+208.3
Zayre	11,788	17,553	+ 48.9	16,683	33,115	+ 98.5
Subtotal	126,412	180,841	+ 43.2	215,424	462,305	+114.6
Allied	12,653	19,182	+ 51.6	20,115	48,358	+140.4
Associated Dry Goods	8,172	14,280	+ 74.7	13,885	35,096	+152.8
Carter Hawley Hale	4,720	5,665	+ 20.0	11,732	16,540	+ 41.0
Dayton Hudson[3]	38,916	44,505	+ 14.4	87,011	103,299	+ 18.7
Federated[4]	39,735	82,022	+106.4	90,361	165,618	+ 83.3
May Co.	26,701	35,402	+ 32.6	58,806	86,637	+ 47.3
Mercantile	16,645	20,397	+ 22.5	35,637	44,726	+ 25.5
Subtotal	147,542	221,453	+ 50.1	317,547	500,274	+ 57.5
Cole National	(539)	(641)	—	(1,604)	(320)	—
Oshman's	368	865	+135.1	1,389	2,835	+104.1
Toys "R" Us	4,734	6,061	+ 28.3	11,681	18,531	+ 58.6
Subtotal	4,963	6,285	+ 26.3	11,466	21,046	+ 83.6
The Gap	6,351	7,504	+ 18.2	7,725	10,857	+ 40.5
The Limited	10,684	20,970	+ 96.2	20,181	46,443	+130.1
Miller Wohl	2,970	3,451	+ 16.2	10,004	10,317	+ 3.1
Subtotal	20,005	31,925	+ 59.6	37,910	67,617	+ 78.4
Total	446,822	671,504	+ 50.3	813,647	1,492,742	+ 83.5

[1]Consolidated operations only. [2]U.S. merchandising only. [3]Continuing operations only. [4]Includes unusual items.
( ) indicates loss. Source: *CSA* research

K mart, Rose's log quarterly records

Led by discounters K mart and Henderson, N.C.-based Rose's, profits for the nation's general merchandise chains soared in the third quarter as consumers continued a spending trend that was expected to carry through the crucial Christmas shopping season.

Profits for the 23 chains tracked by *CSA* were up 50.3% for the quarter, from $446.8 million in 1982 to $671.5 million during the comparable period in 1983. For the first nine months of 1983, profits were up 83.5% to nearly $1.5 billion.

Troy, Mich.-based K mart exceeded its earnings pace for the first half (144.1%) by logging a whopping 170.4% profits hike. The nation's largest discounter continued to improve margins (up to 28% from 27.1%) and expense controls during the August-September-October period (SGA expenses were 24.6% of sales compared with 25.8% during the same period in 1982).

Rose's, a Southeastern discounter, also scored record sales and profits for the third quarter. Net income was up nearly 120%, while sales for the period jumped 29% to $187.9 million for the 245-unit discount and variety store chain.

Rochelle Park, N.J.-based specialty toy chain Toys "R" Us logged a 28.3% profit increase despite a modest 16.2% sales hike. The firm, however, managed to increase its gross margins by 1.2% as low-margin electronics products garnered a smaller share of total sales (from 19% to 13% during the third quarter in 1983).

J. C. Penney increased its gross margins in the quarter by 1.4%, which officials attribute to stronger apparel emphasis. Third-quarter profits increased by 17.5%, and sales were up a sluggish 6%.

Retail women top payroll lists

Women executives in retailing—vice presidents and above—are the highest-paid female managers in the United States. Top women at retail chains average $107,000 annual compensation—$15,000 more than the average female executive, a study of 300 female execs shows.

The study, conducted by Korn/Ferry International, an executive search firm, and the Graduate School of Management at UCLA, also found that women managers in

Sally Frame

retail were the most likely to be asked to relocate (45% expected to) and are also the most likely to be married. Half the retail executives who responded to the survey were married; the national average for female executives is 41%.

About 85% hold a college degree, and only 16% entered management through clerical ranks, the study points out. Training programs are a definite boon to women in retailing—29% of top women execs began their careers in management.

In related moves, Carter Hawley Hale has helped to bolster the ranks of women in top spots. Dawn Mello, former executive vice president at New York-based Bergdorf Goodman, was promoted to the post of president and director of merchandising; Ira Neimark, the former president, became chairman. Besides Mello, CHH boasts other women topsiders at its Sacramento-based Weinstock's department store division and at Contempo Casuals, its women's specialty chain.

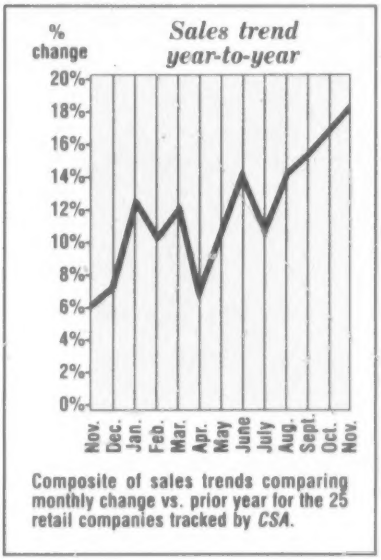
Another woman in the top spot as a specialist is Sally Frame, the new president of Ann Taylor. She replaces Millard S. Drexler at the $75 million, 47-store women's specialty chain.

Holiday surge boosts November sales

Powered by the strongest Thanksgiving shopping weekend in recent years, November sales for the 23 chains tracked by *Chain Store Age* increased almost 18%.

The results, however, compared against extremely weak November 1982 figures. Sales in that period were up only 5.8% amid high unemployment and, economists say, the tail end of the 16-month, 1981-82 recession.

Nevertheless, retailers had to be pleased. November, in the past five years, has been a weak sales month.



Composite of sales trends comparing monthly change vs. prior year for the 25 retail companies tracked by *CSA*.

From 1979 through 1983, compound sales growth for the period is up only 7.7% for 18 chains tracked continuously in the *Chain Store Age* survey.

Retailers credited the surge to an early shopping bug. But another factor was the early-December observance of the Jewish holiday, Chanukah, for which traditional Jewish parents buy their children gifts for each day of the eight-day celebration.

But growth in consumers' discretionary income apparently had a hand in the sales surge. This vital retail indicator jumped an estimated 11% during the fourth quarter, according to Jay Levine, a Downers Grove, Ill.-based retail economist.

At Penney, for example, there was brisk activity in fine jewelry, handbags, gloves and cosmetics —categories that are particularly sensitive to fluctuations in discretionary income. For the month, Penney's sales were up 9.4% (excluding discontinued lines).

F. W. Woolworth recorded double-digit same-store sales gains in each of its largest domestic divisions, variety stores, Richman Bros. and Kinney Shoes. While the corporation's worldwide sales rose a modest 7.4%, domestic sales climbed 11.1%.

Montgomery Ward, continuing on its comeback trail, reported a 10.8% sales hike in November with 13 fewer stores in operation. The company is expected to show an annual profit for the first time since 1979.

Christmas comes early to GMers

		November sales*		Stores		10-mo. sales		
Major chains	% change	1983	1982	1983	1982	1983	1982	% change
Sears[1,6]	+ 31.5	2,382,105	1,811,089	891	839	18,926,070	16,132,746	+ 17.3
Penney	+ 8.0	1,098,000	1,017,000	2,038	2,068	8,240,000	7,887,000	+ 4.5
Ward[1]	+ 10.8	587,057	529,976	376	389	4,655,584	4,383,382	+ 6.2
Federated[3]	+ 8.8	668,500	598,100	546	510	5,409,800	4,792,700	+ 12.9
Dayton Hudson	+ 23.8	624,932	513,224	1,083	982	5,086,052	4,148,945	+ 22.6
May Dept. Stores	+ 14.5	430,000	375,500	1,552	1,532	3,207,000	2,783,200	+ 15.2
R. H. Macy	+ 39.8	369,600	308,600	93	92	2,888,500	2,445,300	+ 18.1
Allied Stores	+ 13.0	368,700	326,400	571	533	2,812,600	2,462,200	+ 14.2
Carter Hawley Hale	+ 19.0	347,100	291,800	1,081	1,027	2,688,300	2,284,600	+ 17.7
Associated Dry Goods	+ 20.1	368,800	307,000	331	253	2,780,000	2,342,000	+ 18.7
Mercantile	+ 10.0	180,425	164,032	86	85	1,246,163	1,100,674	+ 13.2
K mart	+ 10.5	1,521,640	1,377,060	2,424	2,424	14,469,572	13,012,868	+ 11.2
Woolworth	+ 7.4	448,982	418,063	N/A	N/A	4,185,170	3,950,054	+ 6.0
Wal-Mart	+ 41.9	505,000	356,000	642	551	3,622,000	2,622,000	+ 38.1
Household Merch.[2,3,5]	+ 0.6	259,189	257,680	3,705	3,805	2,270,450	2,358,283	- 3.7
T.G. & Y.	- 1.8	185,835	189,222	829	929	1,550,345	1,638,616	- 5.4
Zayre[4]	+ 23.7	270,119	218,339	808	630	2,021,485	1,689,308	+ 19.7
Bradlees	+ 32.3	122,600	92,700	127	99	872,800	645,100	+ 35.3
Murphy	+ 11.8	77,158	69,032	418	423	670,058	644,217	+ 4.0
Rose's	+ 28.2	104,309	81,358	247	239	651,536	521,516	+ 24.9
Heck's	+ 1.0	45,700	45,400	122	119	373,800	344,100	+ 8.6
Jamesway	+ 22.2	39,021	31,932	78	68	322,504	258,748	+ 24.6
Melville	+ 24.7	364,244	292,094	5,763	5,487	3,232,991	2,717,426	+ 19.0
Tandy	+ 17.6	251,409	213,787	N/A	N/A	2,019,039	1,729,024	+ 16.8
Edison Bros.	+ 11.5	84,796	75,945	2,166	2,129	877,904	794,013	+ 10.6
The Gap	+ 11.1	41,000	36,900	570	549	352,600	332,800	+ 5.9
Totals & Averages	+ 17.9	11,560,297	9,809,006	—	—	93,881,978	82,382,204	+ 14.0

*000 omitted. N.C. = no change. N/A = not available.
[1]Store number for full-line outlets only. [2]Includes 2,834 franchise stores (vs. 2,830 a year ago). [3]Includes T.G. & Y. sales. [4]Includes 275 Zayre stores (vs. 267 a year ago), 356 Hit or Miss stores (vs. 277) and 118 T. J. Maxx stores (vs. 86). [5]Excludes supermarket sales. [6]Includes results from Simpson-Sears.

Gibbons college fund set up

Bentley College has established a professorship fund in memory of Edward F. Gibbons, deceased chairman and chief executive of the F. W. Woolworth Co.

Gibbons, a graduate of Bentley and active in the college's affairs for more than 40 years, died Oct. 26, 1982. The Edward F. Gibbons Professorship Fund will be used to support an endowed faculty chair in the finance department and aid in other academic development plans. Gibbons held a bachelor of science degree in accounting, and among other responsibilities had served as a member of the school's accounting and management faculty.

Contributions may be sent to Allen Peckham, director of development, Waltham, Mass.

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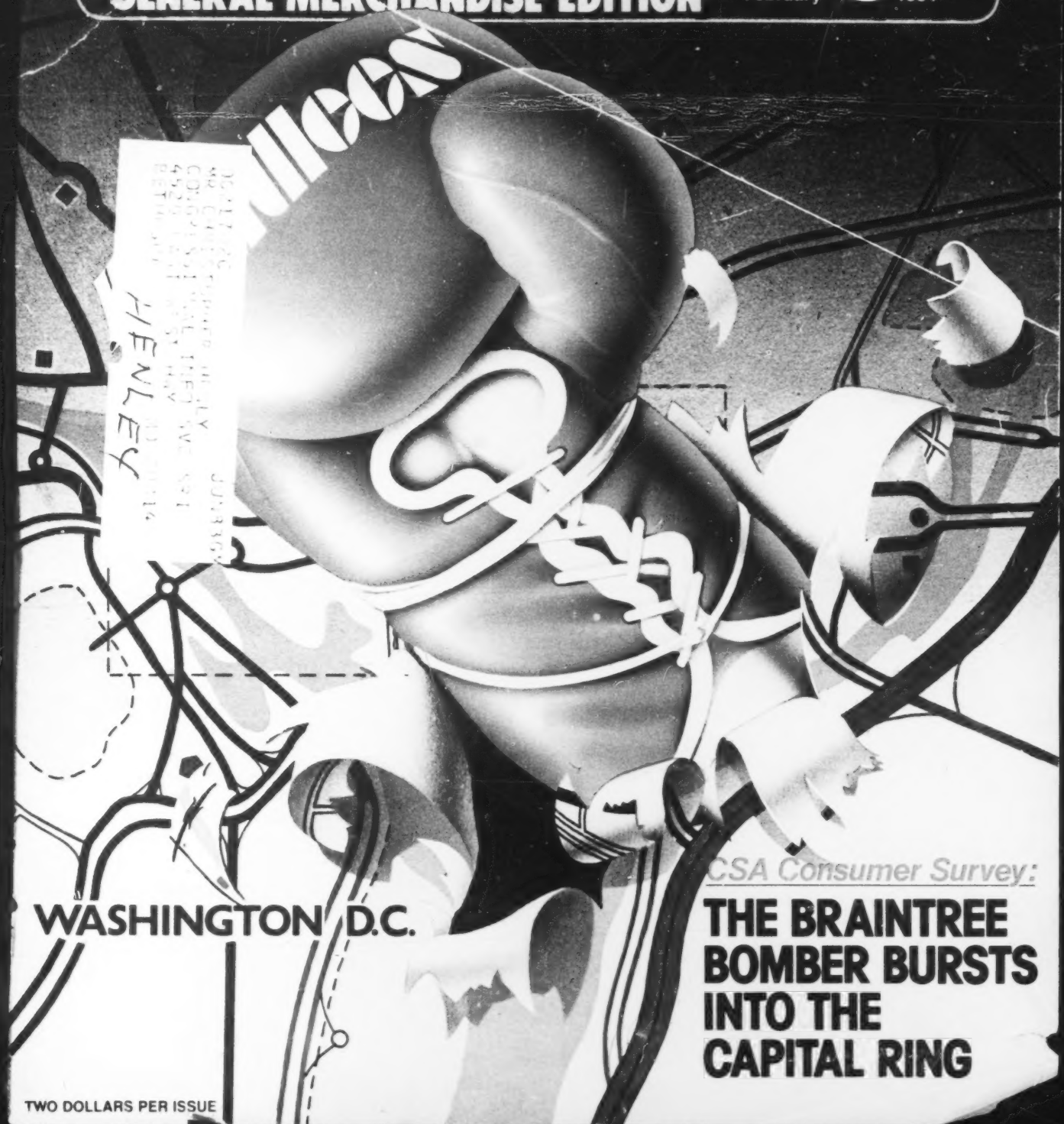
Toys '84: life after Cabbage Patch

Catalogia: combining catalogs and computers

Chain Store Age

GENERAL MERCHANDISE EDITION February 1984



WASHINGTON D.C.

CSA Consumer Survey:

THE BRAINTREE BOMBER BURSTS INTO THE CAPITAL RING

TWO DOLLARS PER ISSUE

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Replacement biz sweeps vacuum cleaner sales 135

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Market stabilizing for home computers

Dollar volume will grow at a faster pace than unit sales of home computers for the first time this year, giving retailers a chance to increase productivity without resorting to brutal price-cutting just to maintain high traffic.

Home computer retail sales
(in $ billions)

	1982	1983*	1984*	1985*	1986*
Home computer hardware sales	$1.0	$1.7	$2.7	$3.6	$4.3
Home computer software sales	0.3	0.8	1.4	2.1	3.0

Source: Future Computing Inc.

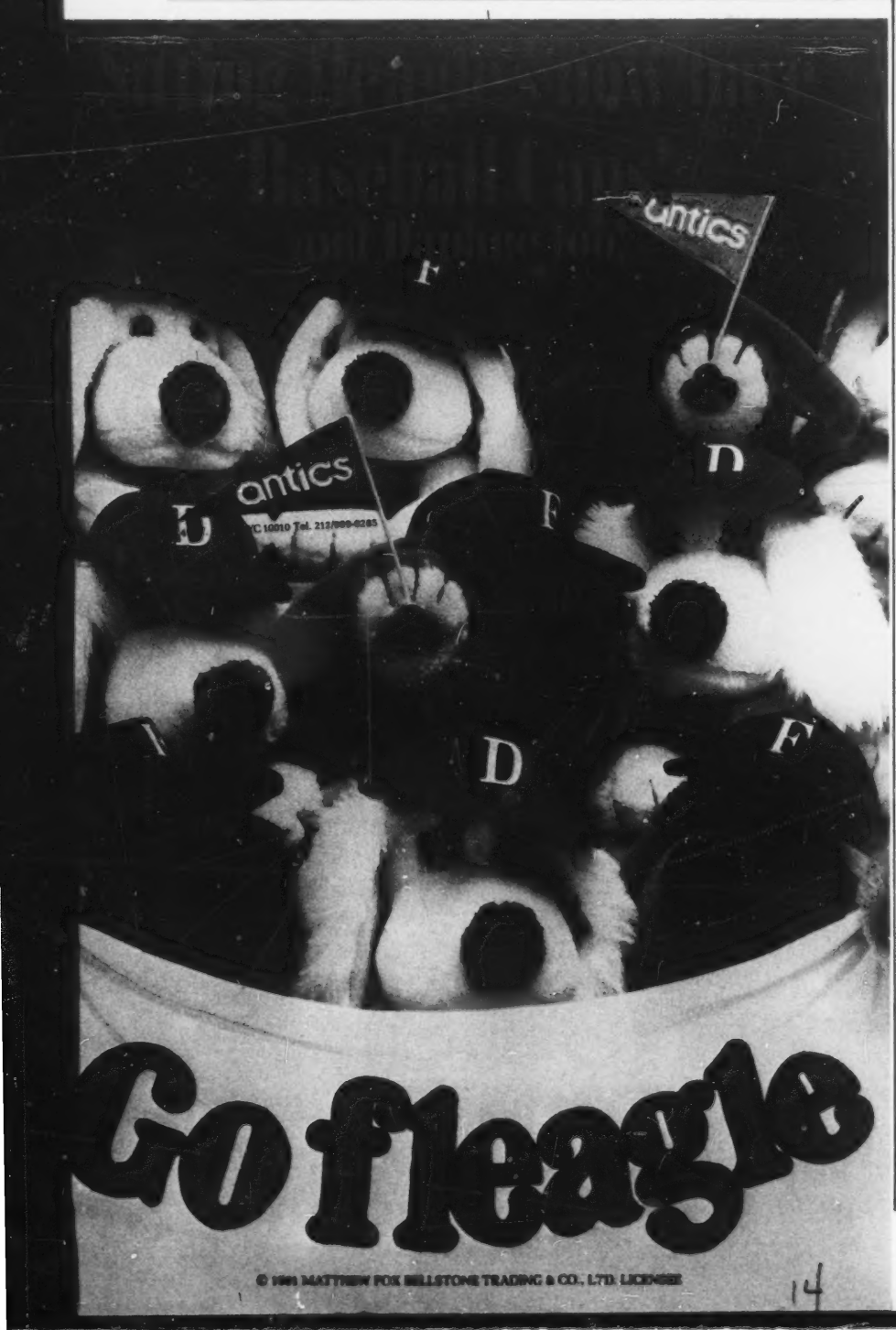
"Prices for home computers will be relatively stable compared to 1983," says Tricia Parks, Future Computing vp of the newly formed home computer division, "and there will be a turning away from the price wars of last year."

According to the Richardson, Tex.-based research firm's estimates for 1984, computer hardware dollar volume will grow by 58.8% to $2.7 billion, while unit volume should increase by approximately 40%.

Consumers appear increasingly willing to pay higher prices for a system that performs as they expected. "There has been no negative reaction to our recent price increase," notes Atari chairman and ceo Joe Morgan.

While Commodore is expected to increase its share of the home market from an already dominant 37.5%, Coleco's Adam, Atari's XL series and high-end home machines like the Apple II and IBM PCjr should all show sales increases. With only three major systems to cope with (Apple and IBM will use their own specialty dealer networks), GMers will find it easier to create a strong computer presence using a limited number of resources.

In software, general merchandise chains will continue to dominate the home market (see *CSA* January 1984) as software sales grow from an estimated $1.4 billion in '84 to more than $3 billion in '86.



Correction

In the October 1983 issue of *Chain Store Age*, the Federal regulations for chemically treated fabrics were misstated. There is no specific language that names what fibers or finishes may be used for children's sleepwear. The standards say only that fabrics used for sleepwear must meet specific requirements based on vertical flammability tests. Chemically treated flame-resistant cotton is not banned.

the problem from a marketing perspective, commissioning research to test the concept. The research showed the idea was valid, appealing to both men and women, specifically to upscale shoppers between 25 and 35.

When the companies merged, it was decided to keep operations in Tuxedo Park (all orders are processed through this center, which also handles accounting and customer service) and open the prototype in Richmond. Two of the original Catalogia centers have been closed, and the other two will be reformatted to conform with the prototype. Trimble projects they will have 500 stores within six years, 80% franchised. More realistically, he sees 13 more units this year.

Additional tie-ins: A Japanese franchise opened last October. Called C's Station, the store is operated by Hakuhodo, the 13th largest advertising agency in the world. Since opening in Tokyo, the store has attracted between 80 and 150 shoppers daily. All orders go through the United States operations center. Merchandise is shipped to a central location on the West Coast before being sent to Japan. The only major difference in design is that half the store is devoted to catalogs, half to actual merchandise.

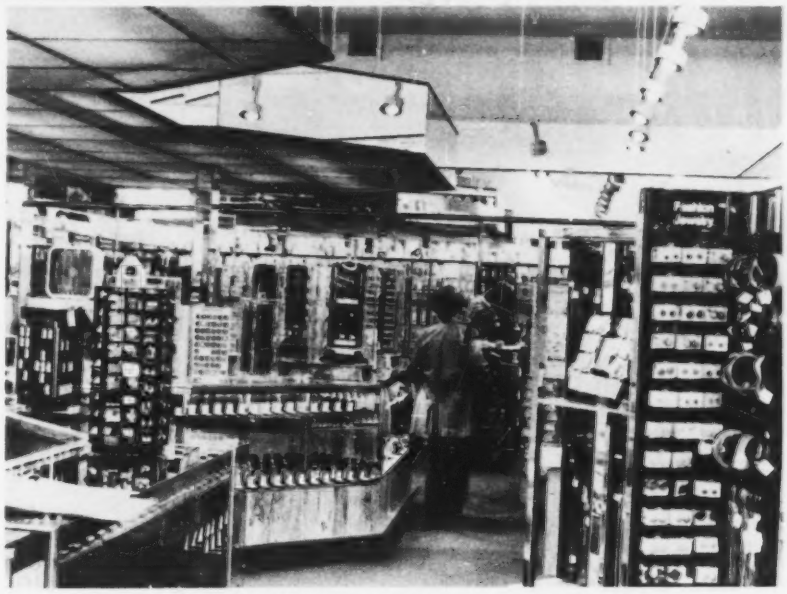
Trimble concedes they may have to do something similar in the Richmond store. "We may work in department store window displays to add a touch of retail excitement. We'll be fine-tuning the prototype until we're satisfied."

They are also exploring a tie-in with the Dow Jones electronic shopping system and a combination personal shopper/executive gift service.

Catalogia seems to be catching on. The company is already seeing repeat business, and a shopping pattern has emerged. A customer comes in the first time to look around or maybe try the computer. It isn't until the second or third visit that an order is placed.

But that doesn't worry Weeden. "I'm passionate about the concept. We've had a constant build-up since we opened. We doubled our business in November, and the ticket size has gone up, too. I couldn't be more delighted." □

ShopKo: serving Middle America



***Spotlights and mirrored walls** reflect ShopKo's upscale aspirations.*

In 1962 ShopKo embraced a bare-bones approach to retailing. In those days, the Green Bay, Wis.-based retailer would stock little more than household basics. But today the upscale discounter bills itself as a one-stop-shopping center that features products and services as diverse as cameras and eye examinations—a Middle America-targeted formula that has catapulted the chain to the top of the discount industry.

"We know we're a small, good, regional business," says Gene Bankers, vp/director of advertising, sales promotion and public relations for the 39-store subsidiary of Minneapolis-based Super Valu Stores Inc. ShopKo's 1983 sales were an estimated $450 million, up a strong 15.5% over 1982's $389.5 million. The chain's compound sales and operating income growth, from 1978 through 1982, was 21.3% and 14.8%, respectively—among the best financial results in the discount industry.

'The consumers we understand best are in the bread basket of the United States'

The chain's productivity results were also strong. Based on 1982 figures, it logged $143 in sales per gross square foot and $9.12 in operating income per gross square foot.

Something for everyone: In the past decade ShopKo officials have carefully tailored the upscale discount operation around professional health care services, including pharmacies, eyecare centers and health and nutrition centers. The chain, they say, will add dental clinics later this year, which will be its only leased service operation. The only service missing is snack bars. "We don't have an eating facility," Bankers says, "because we can't do it well."

What ShopKo does do well is serve 150,000-population markets with its version of upscale discounting, which compares favorably with the industry standard-bearer, Minneapolis-based Target (although ShopKo is more price-aggressive).

ShopKo's prototype, a 90,000-sq.-ft. outlet in Green Bay, is the chain's showpiece. As with Target and other upscalers, shoppers enter the store to one side of the checkout registers. The service desk is in front of the checkout area next to the pharmacy and optical center. The rest of the store is merchandised in a race track format and orange color scheme.

Jewelry is the first clue to the chain's upscale aspirations. Spotlights, mirrored walls and an enclosed glass showcase make the department differ dramatically from

*ShopKo challenges discount heavyweights**

	Sales per gross sq. ft.	Operating income per gross sq. ft.	% change compound sales '78-'82	% change compound operating income '78-'82
ShopKo	$143	$9.12	+21.3%	+14.8%
Target	156	9.70	+26.0	+25.0
K mart	123[1,2]	2.61[3]	+10.6[1]	– 9.3[3]
Wal-Mart	131	9.33	+39.1	+43.2
Bradlees	109	6.30	+15.3	+19.5
Zayre[1]	87	2.97	+ 7.2	+ 9.3

*Statistics based on 1972 year-end figures.
[1]U.S. discount stores only. [2]Includes Meldisco sales. [3]Based on total discount variety business.
Source: *Chain Store Age*

more traditional discounters such as K mart and Zayre, two of the chain's many competitors.

Other upscale features are reflected in ShopKo's merchandising of its 35% soft lines mix (women's apparel is the volume leader). Apparel receives premiere footage adjacent to jewelry and accessories. Lifelike mannequins, wearing fashion clothing, are posed in action positions off the main aisles. Merchandise is neatly displayed on rounders, waterfall racks, four-arms and some piperacks.

But while name brand fashion apparel is an important cog in the chain's strategy, Bankers says ShopKo will stock only merchandise that has a long-term track record. "We're not into ego-intensive merchandise," he says. "We don't take heavy fashion risks."

For example, ShopKo recently tested athletic wear in 15 stores. Bold overhead graphics and partial mannequins create excitement in this area—about 1,200 sq. ft. in the chain's Green Bay prototype. Athletic shoes are featured (including Pony, Saucony, Etonic and Converse) as well as men's, women's and children's athletic wear.

The orderly, planogrammed display of hard lines is also in keeping with the chain's upscale aspirations. Display pieces are eye level on gondolas, while boxed items are stacked from floor to ceiling. This bulk merchandising has its advantages: ShopKo needs only one distribution center since most orders are drop-shipped directly to the stores. And volume business is promoted because the merchandise is always on hand.

Despite the comparison, ShopKo execs say the company has no desire to be another Target, and indeed ShopKo systems differ from the Minneapolis-based discounter because they're decentralized. Many functions carried out by Target execs are done at store level at ShopKo. Store department managers are responsible for reorders, endcap displays, soft lines presentations and markdowns. The two gmms, seven dmms and 36 buyers write orders and are involved with the merchandising of new units.

***Eyecare centers** are part of the store's extensive health care service network.*

Future plans for the Midwestern merchant call for filling in current markets starting with new stores in Oshkosh, Wis.; Austin, Minn.; Spencer, Iowa, and acquisition of an older unit in Watertown, S.D., for 1984. Older units, ranging in size from 26,000 sq. ft. to 113,600 sq. ft., are remodeled every five years to keep them current.

Unlike other regionals, ShopKo is content with its lot. Vp/marketing, real estate and distribution George Lopuch says, "We prefer to be a strong regional. The consumers we understand best are in the bread basket of the United States. Besides, it's a more profitable strategy. We know we can't saturate the country in the next 10 years." □

Carson's hangs hopes on new executive

Dennis Bookshester doesn't wear surgical greens to the office. But perhaps he should. As ceo of the troubled Chicago department store chain Carson Pirie Scott, he is faced with a situation reminiscent of his late-1970's tenure at Sibley's when he orchestrated a turnaround of the Rochester, N.Y., chain.

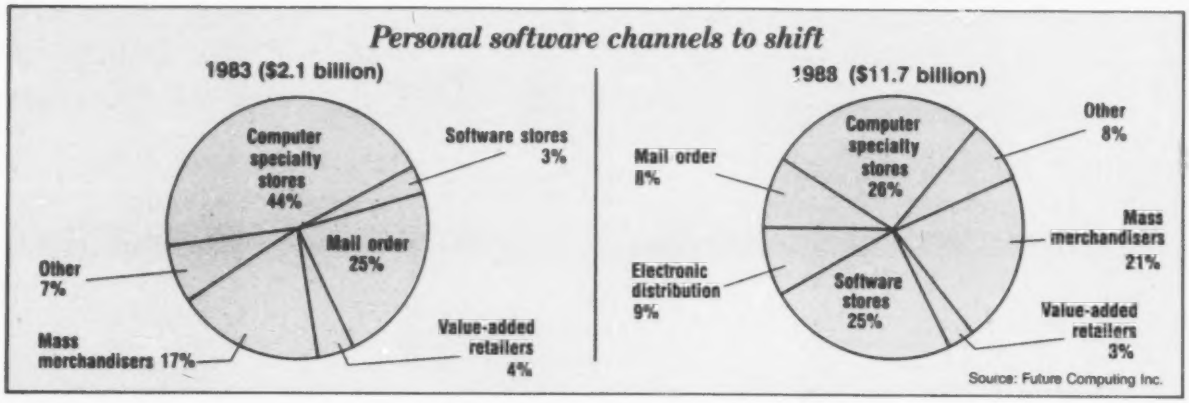
Bookshester, who left Connecticut discounter Caldor, was faced with a mixed financial picture at Carson's when he arrived last August. Third-quarter sales were up only 1% to $81 million, and profits had plummeted 86%. His mission is to boost those sagging profits by delivering a clear-cut image to shoppers in an already intensely competitive market.

Carson's is ripe for change. While sales climbed 4% to $323.4 million in 1982, the five-year compound sales growth rate (1978-82) was up only 4.1%. Earnings, which jumped a strong 28.7% to $14.6 million in '82, showed a 2.4% compound drop in the same five-year period.

Earnings for the last five years, in fact, have never risen above the 1978 benchmark of $16 million, falling to $11.3 million in '81. At the same time, sales per gross square foot are on the low side at about $84 (compared to $104 for hometown rival Marshall Field).

Signs of life: Industry analysts are encouraged by signs of activity within the chain. "The department store division was shallow in management talent," says Mesirow & Co. analyst John Landschulz. "Bookshester's new team [including some members of Sibley's turnaround group] is the first step in making the company more profitable. They will bring about quicker changes and will be in closer touch with the market than before."

Bookshester believes that a customer base must be found and pursued, and that the current schizophrenic merchandising approach must be eliminated. The flagship State Street store, for example, lacks an identity, failing to make a clear-cut presentation to shoppers. For example, two areas of the store



Should GMers do business with business?

Business and professional computer users may appear at first glance to be too specialized a market for general merchandise chains to focus on. But while virtually every retailer in the country is posting skyrocketing sales of home computers, industry leaders are taking a strong position in pursuit of the far more profitable personal computer market.

Sears, R. H. Macy and Dayton Hudson, among others, are all strongly committed to carving out their own niche in the business-oriented personal computer market—projected to log $7.82 billion in retail sales this year and increase at an annual compound rate of 32.1% for at least the next five years.

Unlike the home computer market, where cutthroat price-slashing has made the business one of the least profitable for chains and independent specialty retailers, shoppers for higher-end personal computers appear to be looking for something beyond the lowest initial dollar investment.

"The customer has some idea of what he wants a computer to do before he comes into the department," says Fred Larson, president of Minneapolis-based Computer Depot, which operates 33 leased departments in Dayton Hudson, Batus Retail Division, May Co. and Federated department stores. "It may be for a small business, for education or to take work home from his office, or a combination, but the use of the computer is more important than the unit itself.

This section was written by Jeff MacCallum.

***High-end personal computers** represent a new direction for chains.*

"I don't expect price promotion to become a major part of most retailers' approach to the professional computer market," he adds—"at least not for the next few years."

A profitable business: *Chain Store Age* estimates that the average gross margins for the primary computers carried—IBM PC, Apple IIe and Compaq—range from 24% to 32%. Compared to home computers, where margins are cut to less than 10% (virtually from introduction), business machines carry their own weight in the profit department.

For the past year, consumer electronics merchandise managers at most major discount and department store chains have been consoling themselves with the thought that home computers are a razor-and-blades business. Profit, they say, will be made by selling highly margined software and accessories to cover the expense of selling the "box" or CPU (central processing unit) at a minimal markup.

"I've been in retailing for 25 years, and any time you give something away for nothing, you're heading for trouble," says John H. Rollins, national manager of the Sears Business Systems Centers. "The assumption that the customer is going to come back to buy his software at the same store that sold him the 'razor' isn't necessarily working. In a lot of cases, the customer is making his own blades!"

The product that is really being sold at the business computer outlet is neither the hardware nor the software, says Computer Depot's Larson. "It's the end application of the whole system. We're really selling the customer an answer to a problem he has."

Target shopper: Retailers agree that the prime customer for a professional-quality personal computer is virtually indistinguishable from the department store customer. The sole exception is gender: Almost all personal computers are purchased by men.

But while retailers agree that the customer is young (25-45 years old) with an income above $30,000, they

admit it is difficult to pinpoint him much beyond that. "I don't think anyone in the industry knows exactly who the prime consumer is," notes Larson.

This lack of a highly defined shopper doesn't appear to be hurting sales—at least for now. "This is a product-driven market," says Larson. "Sales are being fueled by outside factors, like *Time* magazine naming the computer the machine of the year."

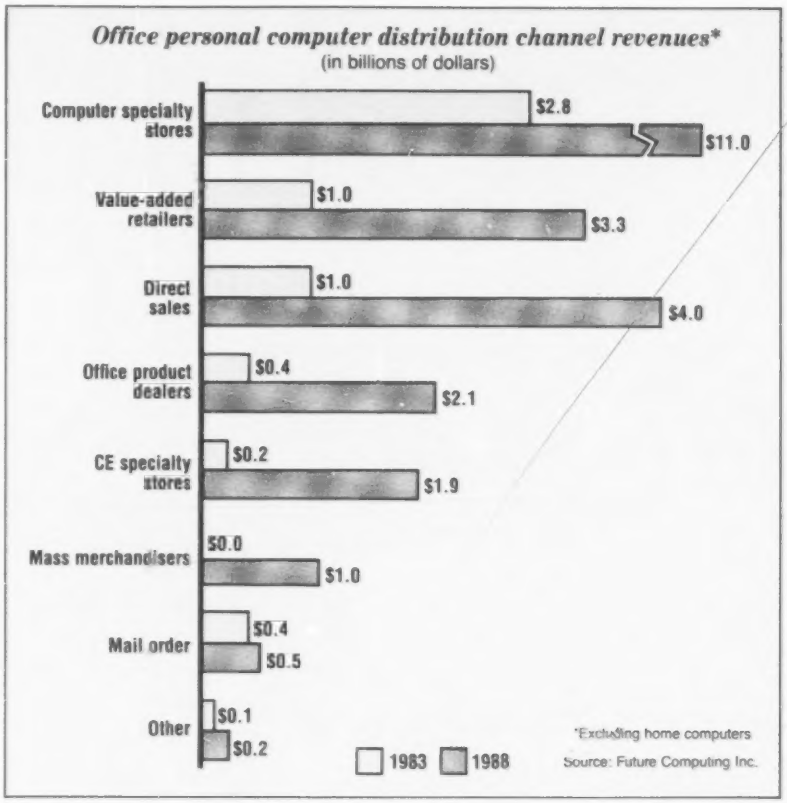
Sears' Rollins notes that demand currently exceeds supply, a situation expected to continue for the next year at least. "We're turning IBM PC's as fast as we can get them into the stores," he says.

Eventually, though, sales will slow as production increases and demand stabilizes. "Somewhere down the line, three turns might be a good number," Rollins says. "But for now it's a lot faster. Today no one is holding on to product for four months."

Retail discipline: As the market stabilizes in 1985 and beyond, chainmen say they will be in the best position to cash in on the business. Not only will economies of scale give them buying clout and an edge in distribution, but they will be better positioned to ride the sales roller coaster than small computer specialists. "Today, everybody's sales are shooting up," says Larson. "But eventually there's going to be a shakeout among retailers."

Individually owned computer specialty stores are the most vulnerable, industry insiders say, but even franchise operations could be hurt. Larson explains that manufacturer-owned chains like IBM's Product Centers and chain store subsidiaries like Sears' Business Systems Center are able to continually shift merchandise between markets depending on local sales activity, but the franchisee doesn't have this adaptability. As one observer says, "They're like a tribe with 12 chiefs."

In the years ahead, retail expertise, automated inventory control and sales tracking systems, and chain positioning to serve a well-defined customer segment are key requirements for successful marketing of computer outlets, according to Future Computing Inc., a Richardson, Tex.-based research firm.



Shopper satisfaction: Developing consumer confidence, experts say, may be the single most important factor in the growth of both freestanding computer stores and professional departments in GM outlets.

Service is, in many cases, the primary confidence builder. Even though actual incidence of after-sale repairs is very low, retailers report some of the first questions potential buyers ask are about service.

Rollins notes that a very large portion of IBM and Compaq personal computers sold by the Sears Business Systems Centers are purchased with Sears' maintenance contract. "The customer really wants the protection afforded by the extended warranty," he says.

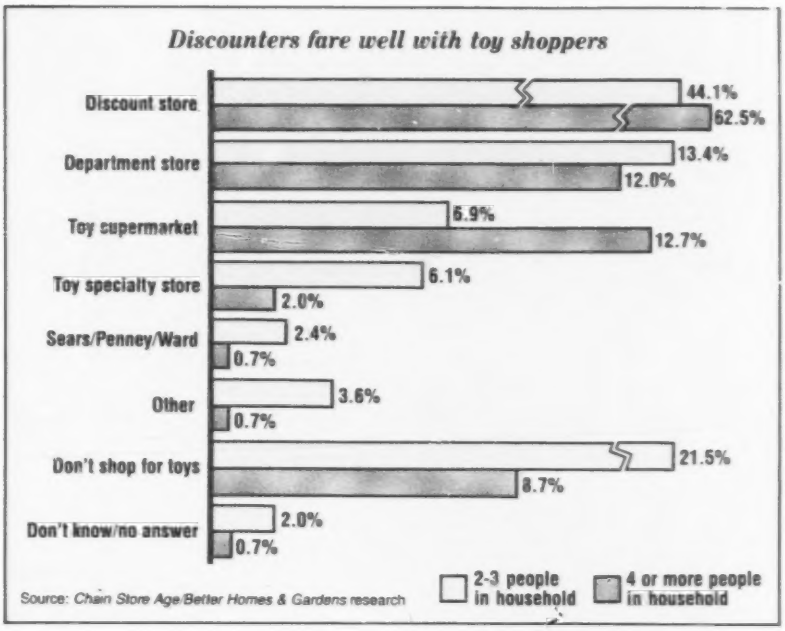
Survival in the personal business computer market for the next five years will call for all the retail skills of every company, both large and small. Larson believes the potential for fast growth and good profits is great, but, he adds, "I think the retailer is also facing an almost hourly potential for disaster. ROI is our lifeblood, so in a business where the bottom line isn't that great, it's essential to understand retailing as well as computers." □

Sears Biz Centers: far ahead of plan

Two years ago, Sears launched five experimental Business Systems Centers in a bold move to tap the growing market for personal computers for small businesses and professionals. "Sears," said one chain topsider at the time, "obviously didn't start five stores in order to open 20 down the road." He was right.

The five-store test has exploded into a 50-unit national chain, with 40 more openings already announced for this year and 1985.

Although Sears executives are



jungle of licensed products and picking the winners. No one wants to be caught with a holiday shortage of a popular licensed item. Last year near-riots resulted when stores ran dry on Cabbage Patch dolls. But evaluating a licensed product appears to be as much guesswork as anything else. "Let's face it, it was marketing that made the Coleco dolls so hot," says a Jefferson Ward spokesman, "and that's what we have to look for."

But retailers bemoan the overabundance of licensed products. "There are simply too many," says Bob Kuhns, buyer for Nitro, W. Va.-based Hecks. "And they can't all be good. We take a hard look at who's backing the toy, what TV exposure it will have and what age group it appeals to. In addition, it has to be a quality product."

Among the new introductions retailers tout are The Littles, Rose Petals, Super Powers and Inspector Gadget. The baby boom is mirrored in a baby toy boomlet with baby Smurf, Muppet babies and the cartoon strip baby character Marvin. Vendors are also strengthening their mature licensed products with line extensions.

"More often than not, it's word of mouth that sells at Toy Fair," says specialty chain owner Roger Bodart, "and we'll be listening." □

Consumers limit toy budgets

Toy buyers aren't the only ones with open-to-buy worries. Consumers have the same problem and have apparently placed limitations on their toy spending plans.

A *Chain Store Age/Better Homes & Gardens* survey shows that 71.8% of shoppers polled plan to spend between $5 and $15 for a toy; 43.5% report an annual toy outlay of $100.

Price expectations are only part of the story: shoppers are demanding quality and safety as well

Not surprisingly, 8 out of 10 believe toy prices are too high. Even the majority of consumers with incomes over $50,000 and homes valued at more than $100,000 (76%) agree.

But these price expectations bode well for traditional toys, which are usually in the $5-$15 range. Retailers report a strong resurgence in a variety of traditional lines, from building blocks to board games.

Price is not the only consumer beef, however. More than half rate the quality of the current crop of toys as good/acceptable, but 40.4% say the quality is worse than it was 10 years ago. Six out of 10 consumers also think that the manufacturer should be responsible for toy safety.

The industry follows self-policing guidelines on safety, officials say, but consumers are unaware of this—a quality concept that needs to be reinforced through advertising. "I think the toy companies should advertise the great value of toys now on the market," says Russ Miller, merchandise manger for toys at Mervyn's. "They need to let the consumer know of the good, long-term safety record the toy industry has today."

Discounters attract shoppers: Over half of shoppers surveyed with children in their household shop discounters first for toys. Just 11.2% choose department stores, and another 12.6% target toy supermarkets as their first choice.

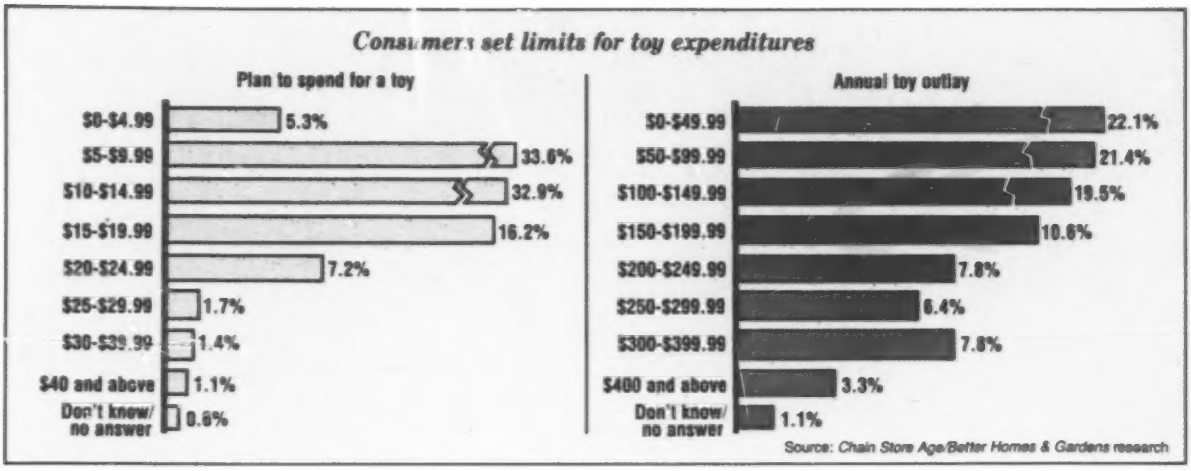
Price, however, isn't the most important consideration in choosing where to shop. Three-quarters of those surveyed say quality is the most important point, while 72.9% are attracted by low everyday prices rather than sales or specials.

But toy retailers should take a closer look at their selection and in-stock policies as 74.4% of consum-

Shoppers rate quality over sales when picking a store to shop

	Total	Households with children
Quality products	76.0%	82.4%
Low everyday prices	72.9	77.8
Wide selection	68.7	75.1
Easy return policy	61.6	63.7
Advertised specials/ sales	57.1	56.9
Store guarantee/ repair	54.6	54.4
Always in stock	51.8	59.2
Past experience	46.9	48.2
Convenient location	39.0	35.8
Fast checkout	37.5	42.0
Frequent sales	36.2	42.4
Carries unique toys	34.6	34.8
Sales assistance	29.5	27.5
Carries more than just toys	18.1	16.6
Environment/ atmosphere	16.4	15.5

Source: *Chain Store Age Better Homes & Gardens* research



ers say they have to visit several stores to find all the toys on their shopping list.

Toy shopping is still a seasonal event. While 25.1% say they shop only once a year, an additional 39% shop just twice a year—probably for birthdays and Christmas. But there is a base of consumers (32.6%) that shops either monthly or every other month for toys. And while a huge chunk of total toy sales are made during the busy holiday season, business is still generated throughout the year. □

Henson, Kermit hop to the top

Kermit the Frog hasn't always been the gold mine he is today. In fact, his first licensing incarnation was a flop. Today his green face is featured on a lily pond full of products, and along with his beloved Miss Piggy, he is one of the best-known characters in show business.

The creative talent behind Kermit and the rest of the Muppets is Jim Henson, who not only makes frogs talk but chickens sing and pigs fly in space. Henson, who coined the term Muppets about 25 years ago, says his creatures are really children of TV. Their first televised appearance was on a local Washington, D.C., show called "Sam and Friends" in 1956.

In the early 60's, Henson and two muppets, Rowlf and Kermit, appeared on network TV on "The Jimmy Dean Show." At this time Henson was approached by Ideal to license the two characters. "I don't think they sold many, and the dolls sort of disappeared," Henson says. "But every now and then, I run into someone who says he grew up with a Rowlf doll, so the ones that sold made a lasting impression."

The next step toward Muppet stardom was "Sesame Street." "At first, we thought we wouldn't do any licensing, but then we realized that public TV and the Children's Television Network [CTW] could use the money," Henson says. "We brought in an expert from the toy industry to help us get started.

"We were careful about guidelines, so that anytime we went with a licensed product it wasn't simply to stick on a decal or a picture," he adds. "There had to be a real reason for the character to appear on the product. We maintained artistic control to make certain the product was faithful to the character."

On their own: When Henson launched "The Muppet Show," his organization geared up its own licensing strategy backed by the experience garnered from working on "Sesame Street." "We still choose products that are suitable to the character. Good taste vs. commercialism—it's a line we all worry about all the time."

Henson Associates (HA!) receives as many as 15 requests each week for licensing. "If it's interesting, we do a whole profile on the company—financial, reputation in the trade, comparative with others," says licensing director Isabelle Miller. "It's also important how we relate to the company. They have to understand the Muppets—the whimsy and fun in each character."

"At first it was a bother to do licensing," says Henson. "I didn't want to do anything crass. After a while it was just that the kids want-

The creative talent behind the Muppets demands whimsy—and integrity—from licensed lines

ed these products and there was a real demand. A secondary reason—and very commercial one—is because licensing helps to support our whole organization, and it turns out to be a good thing for us."

Henson feels he is walking a tightrope on licensing. He owes a responsibility to children and their parents for quality products while at the same time not allowing the Muppets to be exploited. "I get uncomfortable when prices keep going up. It's a compromise between being faithful to the original and adding another $1.75 to the overall cost. So we have to weigh these things."

Art comes first: But for Henson, the production aspect—TV or movie—is always the most important factor. "We've always felt that the show should come first, and if it's correct and has spin-offs into licensing, that's really nice," he

Greeting Cards
Stationery
Back To School
Home Office
Writing Instruments

REAPING THE REWARDS